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Court clears way for vote on Revco plan

By James Frederick

AKRON, Ohio — U.S. Bankruptcy Court Judge Harold White pushed the tangled finances of troubled Revco D.S. one step closer to resolution this month by clearing the way for a vote by creditors on a plan of reorganization.

At a sometimes contentious, all-day court hearing Nov. 8, White approved a lengthy disclosure document released by creditors which details their reorganization plan for Revco. The approval allows the three creditor committees which drew up the plan to send it out for a vote this month by all of Revco's thousands of creditors, who together were owed roughly $1.45 billion by the chain when it fled into Chapter 11 protection nearly three-and-a-half years ago.

Vying with that plan, however, are two takeover bids by rivals Jack Eckerd Corp. and Rite Aid. At the hearing, White refused to allow a vote on Eckerd's hastily revised plan until all parties had had a chance to review its new, sweetened proposals *(See related story)*. Despite pleas by Eckerd attorney Kayalin Marafioti for immediate approval of Eckerd's disclosure statement, White rescheduled a hearing on that plan for Nov. 15. He also set a hearing on Rite Aid's plan—the last of the three to surface—for Dec. 5.

White also agreed to set a Dec. 30 deadline for voting on any of the three plans, and scheduled a final confirmation hearing on all plans for Jan. 8, 1992. Both dates were requested by Revco and its junk bondholders, trade creditors and lending banks after attorneys revealed that one of Revco's leading banks was using both a carrot and a stick to prod the chain out of bankruptcy by early next year. Wells Fargo Bank, said attorney Robert White of the official bank creditors' commit-

See **Revco** *page 41*

Eckerd sweetens offer

CLEARWATER, Fla. — Jack Eckerd Corp. has enhanced its offer to buy Revco, adding $26 million in notes and debentures that it would pay to Revco creditors.

The sweetened plan—totalling $996 million in securities—was filed Nov. 6, days after Rite Aid entered the picture with its own plan to buy the bankrupt chain with cash and Rite Aid stock.

The modified plan, Eckerd said, was filed in response to objections raised by the Revco creditors to the company's first plan, and after discussions with creditor groups.

The new plan increases the stake offered to unsecured creditors in a proposed new holding company. Subordinat-

See **Eckerd** *page 41*

LATE NEWS

• GLENDALE, Ariz. — RDS Acquisition Corp., operators of Rx Plus, was slapped with an involuntary Chapter 7 petition by three creditors who say they are owed $150,100. CFO Anthony Collura called the petition an "overreaction," and told *The Arizona Republic* the chain intends to pay and is trying to get financing.

• TROY, Mich. — Arbor Drugs has capped a chain-wide conversion project to link its 118 stores, its DC and its headquarters with POS computers. The system will help boost inventory control and merchandising capabilities, Arbor reported.

• CLEVELAND — Wal-Mart said it will open its first two stores in smaller towns south and east of this city.

FEATURES

REX winners: Tops in the field

These industry leaders have developed the business methods necessary to come out on top in a tough market. **Page 9.**

Trading cards a winning hand

Chains are expanding selection after discovering the high margins and rapid turns of trading cards. **Page 35.**

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Downtown fun at new Pay 'n Save

SUMMARY: Pay 'n Save customizes a downtown Seattle store with a flower shop, espresso bar, expanded greeting cards and one-hour photo lab.

SEATTLE — Pay 'n Save's fifth downtown store here is unique, with a fresh flower department, its first one-hour mini-lab, and an espresso bar.

As is sometimes the case with urban stores, this format in the 16-floor Newmark building at the corner of Second and Union streets, had to conform to a quirky floor space. The 20,000-square-foot store is narrow and long, and had to work around pillar structures.

Yet, Pay 'n Save has created a striking layout in a mid--town location that draws from urban residential tenants as well as office and business workers.

The 124-store division of Thrifty Corp. views the format as a showcase design in which it can test new concepts, including some features of a new prototype now in four other stores, Richard Dortch, Pay 'n Save's president, told *Drug Store News*.

In decor, the "Newmark store" features muted green, blue and white colors which in Pay 'n Save's typical store are brighter (matching the colors of the hometown Seattle Seahawks football team).

The drug store is on the first floor of a multi-use building

See **Pay 'n Save** *page 41*

This customized Pay 'n Save in downtown Seattle has many unique features including a flower shop and an espresso bar.

Thrifty hires 4 execs; restructure continues

SUMMARY: Management changes continue at Thrifty Drug. Four high-level executives are hired, and a new president will soon be named, as Bill Yingling builds his team to right Thrifty.

By David Vaczek

LOS ANGELES — Thrifty Drug has hired four senior executives as a restructure continues under new Thrifty Corp. chairman and ceo William Yingling.

John Boyle, a former vp-MIS at Lucky Stores where Yingling had been president, was named as Thrifty Drug's senior vp-store operations, with overall responsiblity for this discipline.

Also, Eric Sorkin, the former No. 2 pharmacy executive at Rite Aid, has joined Thrifty in the top pharmacy post of senior vp-pharmacy operations.

See **Thrifty** *page 41*

NEWS IN BRIEF

Rock Bottom's Rose promoted

Rose

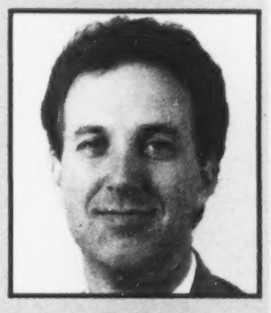
PORT WASHINGTON, N.Y.—Industry veteran Larry Rose has been promoted to vp-marketing and merchandising at Rock Bottom. He was president of Fay's and executive vp at Thrift Drug for many years before joining the deep discounter in July as vp-pharmacy. Looking ahead, Rose promised a "block-and-tackle football" approach for the 31-store chain: "Building a team and expanding market share to make us a dominant player on Long Island."

O&M names Farinholt vp-info. services

RICHMOND, Va. — Owens & Minor has named Richard Farinholt as vp-information systems. Farinholt most recently served as president of his consulting firm, the Information Technology Group, Inc. Prior to that he was president of HealthNet Inc., an information technology subsidiary of Consolidated Health Care, Inc., a $2 billion holding company.

For 17 years, Farinholt, a University of Virginia graduate, was employed by IBM in various positions including systems engineer, marketing manager and MIS director.

F&M's Keller: vp-merch.



Keller

WARREN, Mich. — Matthew Keller has been named vp-merchandising at 103-unit F&M Distributors. He comes to F&M from PACE Membership Warehouse in Denver where he served as vp-general merchandise.

He will be responsible for all corporate merchandise operations at the deep discount operation and will report directly to Earl Weissert, former vp of merchandising, who has been promoted to senior vp at the chain.

Hannaford feels recession

SCARBOROUGH, Me. — The New England recession has no end in sight, said Hannaford Bros. officials, who reported that earnings have slipped in the first nine months.

"The recession is serious," Hugh Farrington, president of the supermarket and drug store company, told Wall Street analysts recently in New York. He added: " We don't see any stimulus that would provide a turnaround."

A lack of consumer spending along with a "fair share of new competitors" in the form of warehouse clubs swarming northward, plus costs in integrating the Alexander's supermarkets bought this year, dampened results for the quarter and nine months ended Sept. 28.

Third quarter net sales were $523.9 million, up 18.7 percent from last year; net earnings were $12.6 million, an increase from last year's third quarter of 9.3 percent. But, while sales for the nine months grew 19.8 percent to $1.25 billion, net income for the nine months decreased 2.6 percent from last year, to 32.6 million.

Same-store supermarket sales for the nine months are up 2.5 percent from last year.

SHOPA introduces Expocard

NEW ORLEANS — Buyers and exhibitors participating in next month's School and Home Office Products Association (SHOPA) show will have better access to more information through Expocard, which will debut there.

Each Expocard contains a computer chip. When the card is inserted into stations located in the exhibit space, the cardholder gains access to a list of products and services available from exhibitors. Exhibitors will have card readers that can capture profile information on buyers who insert their cards in readers.

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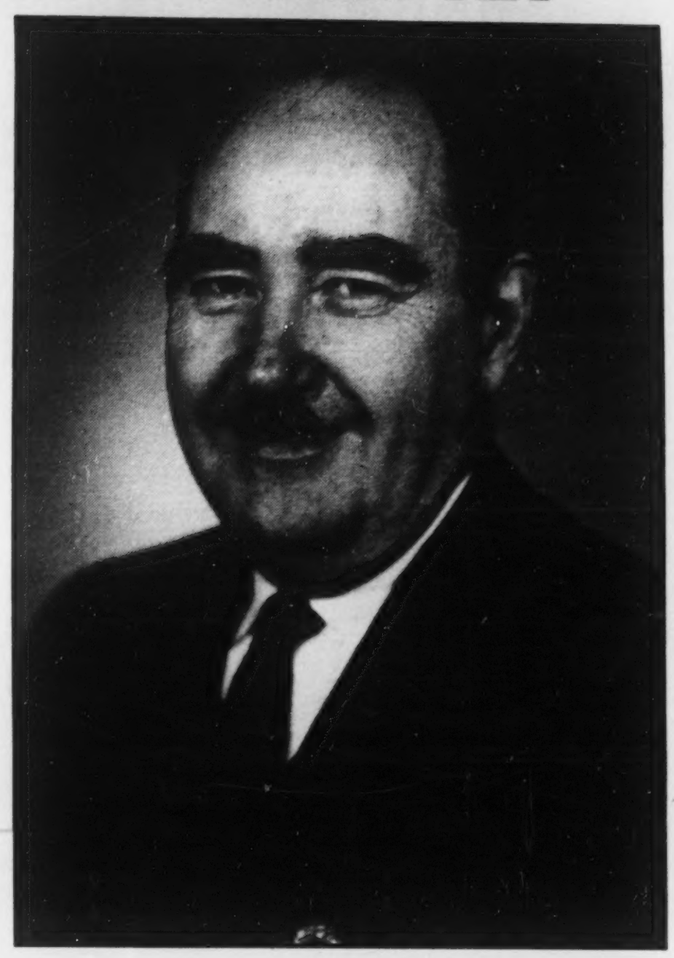
Retired Walgreens' Pratt dies; known as 'father of chain Rx'

By David Q. Mahler

Harold W. Pratt, Walgreens' first director of professional relations, died on October 29 after a long illness. He was 85.

Pratt, who retired in 1971 after 43 years with Walgreens, was the first in the chain field to hold that position, one that is common to all drug chains today.

Often referred to as the father of chain pharmacy, his contribution to the industry was recognized by the National Association of Chain Drug Stores which, in 1985, established the Harold W. Pratt award in his honor. The award is given each year to the chain pharmacist who has contributed most to the promotion, recognition and improvement of pharmacy.



Pratt

Oversaw pharmacy growth

When Pratt was first appointed to his position as manager of the prescription departments in 1945 by Charles R. Walgreen, Jr., the company's retired chairman, Walgreens was not known for the scope of its pharmacy operations.

Walgreen told *Drug Store News*, "We were doing about 2 percent of sales in our pharmacy and 30 percent in our food operations." At the time of Pratt's appointment as director of professional services in 1952 the department was doing less than 10 percent of the company's sales. But, the role of pharmacy was changing with the suburbanization of retailing and Pratt did much as the catalyst to put Walgreens' pharmacy operation in the forefront. Today, Walgreens' prescription sales have soared to over $2 billion, more than 35 percent of the company's $6.5 billion sales.

Walgreen, with whom Pratt was especially close, told *DrSN* that few people he knew "were as devoted to pharmacy as Harold. He was a wonderful man who beat the drum for pharmacy and did so much for our company."

Pratt worked tirelessly with the national and state pharmaceutical associations and was active in pharmacy educational circles, organizing student seminars and convincingly promoting the virtues of chain pharmacy to groups who, at the time, were far from sympathetic. He was also well regarded by his peers in the pharmaceutical manufacturing community.

He worked equally hard within his own company to convince regional and district managers of the value of the pharmacy franchise to their operations and to get them to pay as much attention to the pharmacy as they did their upfront operations.

He was a man hard to deny. Under thick eyebrows and behind twinkling, mischievous eyes was the will and drive of a dedicated professional with a singular mission: to gain recognition for the department he championed.

Chain industry recognition came to Pratt in 1958 when he was asked to organize and chair the first NACDS pharmacy meeting, an event that has since grown into one of the premiere meetings of the profession and the one at which the award in his name is granted.

He joined Walgreens in 1928 after graduating from the University of Minnesota. He worked as a pharmacist, assistant manager and store manager before moving to head up the pharmacy department. In 1969, Pratt was honored by his alma mater for "outstanding achievement for an alumnus."

He is survived by his son Charles, four grandchildren and three great-grandchildren. Donations may be made to the American Cancer Society or the University of Minnesota School of Pharmacy.

Mr. Mahler was formerly editor and group publisher of the Drug Store News *group of publications, and worked closely with Mr. Pratt to develop the first NACDS pharmacy meeting.*

Genovese's Kett given Arthritis Foundation award

Herb Kett, vice chairman of Genovese Drug Stores, was honored by the Arthritis Foundation Long Island Chapter for his commitment to helping improve the health of Long Islanders, at a Nov. 8 reception following a performance by Barbara Mandrell at Westbury Music Fair. In presenting the award, Allan Patrick (center), executive vp at Genovese, called Kett (l) his "mentor, and a man who makes people feel important." At right, the 1990 honoree, Frank Castagna of Castagna Realty.

Publix eyes Ga.

SAVANNAH, Ga. — Publix Supermarkets, a power in Florida combo store retailing, begins its northward march this month with the opening of its first store in Georgia in this historic port city.

Meanwhile, Publix has named the management team for a new Atlanta division, which becomes effective Dec. 30.

William (Ed) Crenshaw, who now serves as the Lakeland division vp, will head efforts here as vp-Atlanta division.

Bob Moore, operations director in Lakeland, will be director of retail operations in Atlanta.

One source at Publix said the chain is examining as many as 25 potential store sites near Atlanta.

In FMI combo study, the news isn't all bad

The combo store bandwagon continues to gather momentum.

Towne-Oller, which tracks the growth of these one-stop shopping outlets—lately with the help of *Lebhar-Friedman's Chain Store Guides*—reports a 24 percent gain in the number of grocery outlets with pharmacies between 1987 and 1990. By the end of last year their number had reached 4,300. How far can they go? Only time will tell.

IN THE MARKET
BRUCE BUCKLEY

There are plenty of reasons why supermarket operators have latched onto this traditional drug store category with such eagerness. Many of them are outlined in a well researched study recently released by the Food Marketing Institute.

The study zeroes in on consumers' attitudes toward supermarket pharmacies. And from their point of view, the departments are just fine. The meat-and-medicine image that some of the earliest versions conjured up has largely disappeared with the development of some of the classiest formats in the business. Consumers who shop supermarkets with pharmacies tend to rate those stores higher in service and quality than shoppers who frequent non-pharmacy supermarkets rate their own stores.

What's more, the presence of a pharmacy has a definite impact on consumer purchases of personal care products and HBA/OTC. Combo shoppers are much more likely to purchase personal care products and non-prescription medicines in those stores than shoppers of non-pharmacy supermarkets purchase in theirs.

To show how this consumer predilection translates into dollars, Towne-Oller has compared the HBA volume of combo stores and traditional supermarkets. In its latest food store audit, dated June 1991, the average combo generated almost four times more HBA volume than the average non-pharmacy supermarket. No wonder so many food store operators are jumping on that aforementioned bandwagon.

Still, for traditional chain drug stores, the news is not all that bad. The study found that only about half of the combo shoppers actually patronize the pharmacies in those stores. And, supermarket pharmacies account for only about a third of the prescriptions filled by those customers, the other business going to traditional drug stores, mostly chains, and mass merchandisers.

Another piece of good news from the traditional drug store's point of view: Only about one in five customers of non-pharmacy supermarkets care about whether a pharmacy is added. That seems to suggest that their needs in this area are being met by other operators.

It also suggests that while supermarket operators continue to use their considerable resources to gain a bigger stake in the health care arena, drug stores can hold the line by emphasizing their traditional strengths of convenience and service.

* * *

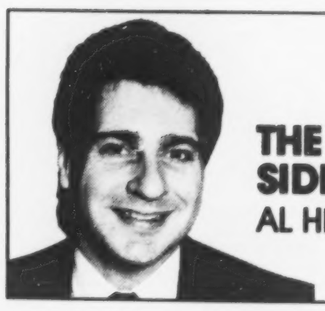
Interestingly, it's not only chain drug stores but independents that are feeling the heat from the supermarkets' incursion into their markets. At the recent meeting of the National Association of Retail Druggists, the outgoing president, Bill Katz, suggested that independents would do well to consider linking up with independent grocery store operators to create their own answer to combo store competition. NARD has set up a task force to see if they can't help be a marriage broker for aggressive food and drug independents. It will be intriguing to see how that works out.

Sells: Singular focus on righting Revco

Revco chairman Boake Sells greeted me at an NACDS Conference earlier this year. Above the din of a packed ballroom, he said: "Here we are, Revco and all its friends."

He, along with executive vp-marketing Jim Adamson and chief financial officer Greg Raven, were standing alone at the moment.

Besieged by creditors and pressed by a nightmarish fiscal situation not of his making, Sells felt isolated.



THE HUMAN SIDE
AL HELLER

In his four years since leaving Dayton Hudson to restructure a highly leveraged Revco into a viable competitor without the shield of Chapter 11 protection, he has accomplished a great deal.

He downsized the chain from over 2,000 stores to 1,100 of the most productive, paring operations to 10 contiguous states from 27. By now, about half the chain has been remodeled. And one of the industry's most rapid chainwide installations of POS scanning systems has been completed.

Moreover, Revco's Prescription Access Link interactive pharmacy computer network has enabled the chain to slash third-party non-payables from a peak of $32 million in the late '80s to $9 million in 1990, Bill Seltzer, senior vp-distribution and systems, told a jammed courtroom hearing in Akron on Nov. 8.

Apparently, the efforts of Sells, Seltzer, Adamson, Raven and D. Dwayne Hoven, executive vp-stores, haven't escaped the notice of some of the best assessors of value in the chain drug industry: Alex Grass of Rite Aid and Stewart Turley of Eckerd.

They have weighed in with bids for Revco that have turned the latter half of 1991 into a fitful period for Sells and his team. On the surface, many market efficiencies exist for both chains. In slow growth times like the present, however, market share is the game. And it makes sense that neither would want to compete against a reinvigorated Revco.

For his part, Sells has always battled for the life of Revco and the ongoing employment of its people. He told me once he "is committed to sticking through this. I didn't come over here to quit."

Indeed, he has thrown his support behind a creditors' plan that doesn't take care of equity holders like himself.

At the Nov. 8 hearing, dozens of lawyers and their clients heard Sells say what he didn't like about other plans: Eckerd's anticipates the closing of 359 Revco stores and much of its headquarters operation, and Rite Aid's plan spells out the closing of many Revcos in overlapping markets.

On the stand, Sells also brought up potential antitrust complications. He cited research he directed that indicates that 47 percent of Revcos in Georgia and 40 percent in South Carolina overlap with Eckerd, while 85 percent of Revcos in West Virginia and 57 percent in Ohio overlap with Rite Aid.

Sells has maintained credibility by setting achievable goals for the chain (stores are profitable), not overreaching, communicating openly with employees (the quarterly Boakathon phone call-ins) and creditors, and keeping his single-minded focus on improving the drug stores. By seeking a consensual plan of reorganization, he has earned high grades from creditors, such as Michael McCormick, executive vp at Bindley Western and head of the trade creditors' committee, who called Sells "on the mark so far" in his forecast of Revco performance gains in 1991.

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VP/Publisher JAY FORBES
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Trading cards deal chains a winning hand

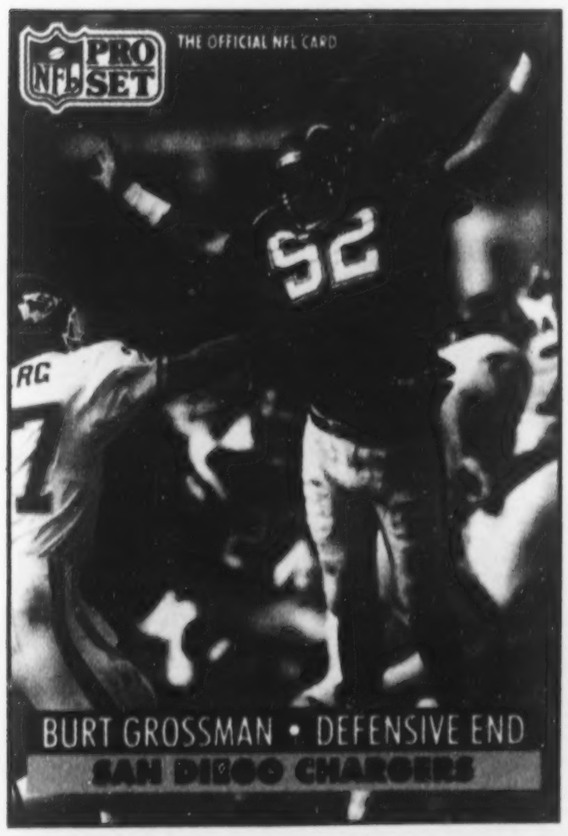
Drug chains have discovered trading cards' potential for high margins and rapid turns and are expanding their assortments and allocating additional space.

By Michael Hartnett

Pick a card, any card! Companies that once catered exclusively to baseball card collectors have broadened their offerings to appeal to an increasingly segmented market. And they face plenty of new competition who are armed with a wide range of glossy, full-color cards on football, basketball, hockey, boxing, soccer, golf, wrestling, skiing and the Olympics.

Other market upstarts: classic television shows, top grossing movies, musical groups, cartoon characters and even the Desert Storm Operation.

Drug chains are the newest players in the trading card category. Having discovered its potential for high margins and rapid turns, many are expanding their assortments and allocating additional space. Stores that once limited trading cards to a peg or two for Topps and Fleer near the cash register are now creating in-line sections in toy or candy departments and dedicating endcaps at the front of the store.



Topps and Fleer are now part of a crowded field of card manufacturers that includes Upper Deck, Impel, Pro-Set, Donruss/Leaf, Pacific, Score and Kayo.

Trading cards have become a $1 billion a year business, and for several reasons. High profile athletes continue to attract loyal fans eager to own their sports hero's trading card, and non-sports cards are attracting non-traditional collectors, such as young girls and women.

Many card companies are highly promotional, supporting their products with high-powered advertising, special offers and special events *(See sidebar)*. Another reason behind rapid growth in the category is the high quality of the cards themselves. Traditional "wax packs" now share shelf space with several upscale collections featuring top quality photography and glossy finishes.

Market Share By Brands	
Topps/Bowman	37%
Fleer	15
Donruss/Leaf	15
Upper Deck	14
Score	8
ProSet	5
Impel	2
All others	4

Source: Glendinning Associates, Westport, Conn.

Most assortments are built around baseball cards, which still generate 80 percent of all sales in sports cards. The opening price point is usually around 50 cents for wax packs, and the high-end is defined by premium collections priced at $1.29 to $1.49. These high-end packs can often be resold immediately by collectors for double or triple that amount. Margins typically begin at 30 percent for wax packs and can reach 200 percent for higher-end collections. The most popular lines blow out of the store within hours or days, making it almost impossible for retailers to track turns or to stay in stock.

"It's a pretty hot business," says buyer Laurie Mauragas of Happy Harry's Discount Drugs. "I am very proud of this area." During the past two years, the chain has created three- and four-foot sections in many of its toy departments, and endcaps in other stores. Mauragas says the category now delivers good year-round business because "every card company has cards for the entire season, and we can update with cards from different sports."

At Harco Drug, buyer Andy Horn says that "until a couple of years ago, we weren't even in the category. We used to let a jobber bring in the cards and put them on a rack, but now we're buying direct and bringing them in from the warehouse." Based on sales generated by an endcap assortment, he says the chain will go to an in-line location of about three or four feet in the candy and novelty section.

Trading cards represent one of the most opportunistic categories offered by drug chains, one that retailers say calls for a "get-in-and-get-out strategy."

"We buy a certain number of cases and 90 percent of the purchase goes out right away. Our philosophy is for variety, with limited backup. We want to keep new card collections coming in to replace those that are going out—we don't want to get long on any of them," says a buyer from a Southeast-based chain. "There is no such thing as typical turns."

Current top sellers such as Stadium Club by Topps, Fleer Ultra, Upper Deck's limited edition of signature cards and Leaf's Studio collection—all

baseball collections—are also the hardest for retailers to get because manufacturers limit supplies.

"One of the reasons our product sells through as fast as it does is that there is a sense of urgency," says Upper Deck's Jay McCracken, vp of sales. "Collectors know they have to buy it now or it won't be there next week." McCracken says allocations are based on the number of stores a chain has, its market share and population served and its ability to handle the product category effectively.

Most manufacturers rely on a network of brokers and distributors to have their cards delivered to stores. But getting the cards to each store doesn't necessarily mean they will make it to store shelves. Some buyers express concerns that the credibility of their trading card program could be hurt by store personnel who buy hard-to-get cards for themselves before customers ever see the cards.

Buyers are enjoying the benefits of tamper-proof foil packaging, clamshell packaging and security stickers that reduce shrinkage.